GOVERNMENT OF INDIA
FOOD PROCESSING INDUSTRIES
LOK SABHA

UNSTARRED QUESTION NO:4880
ANSWERED ON:10.05.2007
CONSUMPTION OF PROCESSED FOOD
Panda Shri Prabodh

Will the Minister of FOOD PROCESSING INDUSTRIES be pleased to state:

(a) the estimated processed food consumption in India at present;

(b) whether the level of processing is significantly lower than that in developed and many developing countries;

(c) if so, the reasons therefor;

(d) whether India Inc has demanded tax relief for research and development in food processing sector; and

(e) if so, the reaction of the Government thereto?

Answer

MINISTER OF THE STATE OF THE MINISTRY OF FOOD PROCESSING INDUSTRIES (SHRI SUBODH KANT SAHAI)

(a): According to a study commissioned by the Ministry, consumption of processed food in 2003-04 has been estimated at Rs.4,60,000 crores and share of primary processed food including packed fruits & vegetables, packed milk etc in it is estimated at Rs.2,80,000 crores.

(b) & (c): The level of processing in India is lower than that in developed and some of the developing countries. In India the level of processing is 2% for fruits & vegetables, 26% for marine, 6% for poultry and 20% for buffalo meat, as against 60-70% in developed countries, 78% in Philippines, 23% in China and about 65-75% in Thailand, Malaysia and Brazil. Some of the major reasons for low level of processing are − inadequate infrastructure facilities, inefficient supply chain, lack of adequate quality control & testing infrastructure, shortage of processable varieties of farm produce, seasonality of raw material, high inventory carrying cost, lack of easy and concessional credit/lending by banks, high taxation, high packaging cost, cultural preference of fresh foods etc.

(d) & (e): It has been suggested by industry representatives that the 150% weighted deduction in respect of R&D expenditure available should be extended to all sectors of the economy. It has also been suggested that companies should be permitted to set apart a certain percentage of their profits by way of deduction in the computation of taxable profit for being exclusively used for upgradation of their technologies.

In this year's Budget, concessional rate of 5% customs duty plus 'Nil' CVD on specified items available to public funded research institutions and non-commercial research institutions has been extended to all research institutions registered with the Department of Scientific & Industrial Research, subject to certain conditions. This exemption is available for food processing sector as well.